

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850



Division of Integrated Health Systems/Family and Children's Health Programs
Group/Center for Medicaid and State Operations

August 27, 2002

Gail L. Margolis, Deputy Director
Medical Care Services
Department of Health Services
714 P Street, Room 1253
Sacramento, CA 95814

Dear Ms. Margolis:

I am writing to inform you that California's request to renew its existing waiver under the authority in Section 1915(b)(1) and (4) of the Social Security Act (the Act) is hereby approved to continue operation of the Health Plan of San Mateo (HPSM) waiver program. It allows California to contract with HPSM to provide the full scope of Medi-Cal benefits to all qualifying Medi-Cal beneficiaries residing in San Mateo County. The State is granted ongoing waivers of Sections 1902(a)(1) - Statewide; 1902(a)(10)(B) - Comparability of Services; and 1902(a)(23) - Freedom of Choice.

CMS also acknowledges and accepts the State's March 6, 2002 letter withdrawing the original request for the addition of new services (i.e., Aid Code 44, Long Term Care, Adult Day Health, and the Child Health and Disability Prevention Program.)

We would like to note that the Adult and AIDS rates exceed the comparable fee-for-service expenditures for those services according to the HPSM rate sheets. While we have determined that HPSM's aggregate cost is below the Medicaid managed care upper payment limits, and the waiver is cost effective, the State should monitor these aid code groups to ensure that these groups do not inadvertently affect the overall cost effectiveness of the waiver.

We would also like to note that the State did not meet the terms and conditions regarding reporting requirements for children with special health care needs that were part of the last approval. Although we commend the State for making progress in the formation of the Special Needs Improvement Project (SNIP) and the Medi-Cal Managed Care Children with Special Health Care Needs Taskforce, the State must adhere to the terms and conditions set forth in this approval letter. We request that the State to provide CMS with monthly updates on the progress of both projects.

After extensive analysis and review of your request for a waiver renewal, I am approving your request for the period effective August 27, 2002 to August 26, 2004. Approval of this waiver request is in accordance with the requirement that the program has met statutory and regulatory requirements for access to care and quality of services, and will continue to be a cost-effective means of providing health care services to Medi-Cal beneficiaries residing in San Mateo County.

Approval of this request is also contingent upon the following conditions:

1. The State will require periodic reports from the Health Plan of San Mateo ("the Plan") that comprehensively identify the number of children enrolled in Medicaid managed care who are in each of the five specified groups of children with special needs, as defined by the Balanced Budget Act (BBA). The State will identify, or require the Plan to identify, children in BBA categories 1, 2, 3, and 4 through Medi-Cal program aid code analyses and, if necessary, identify category 5 through manual review. The State will submit these data to the Centers for Medicare and Medicaid Services (CMS) on an annual basis.
2. The State will require the plan to categorically code and report the number of children that the plan identifies through program linkages and community liaison activities with other entities if the children are identified to be in any one of the five BBA categories and were not previously identified as such.
3. With respect to quality of care, the State will conduct, or require the plan to conduct, a study which will stratify its analyses such that outcomes for children in the BBA categories are discussed and assessed. Or, the State may perform, or require the plan to perform, a quality study that focuses solely on special needs children as defined by the BBA.
4. The State will require the plan to manually review member grievances involving children identified by the BBA as having special health care needs. The State will require the plan to report these data to the State on a periodic basis and the State will submit them to CMS on a basis no less than annually.
5. The State, on a basis no less than annually, will provide CMS with data on the number of children who voluntarily change primary care providers within the plan.

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We thank you and your staff for their cooperation and assistance during the review process. If you have any questions, please feel free to contact Linda Minamoto in the San Francisco Region's Division of Medicaid at (415) 744-3568.

Sincerely,

Mike Fiore
Director
Division of Integrated Health Systems

cc: Linda Minamoto, CMS, Region IX